

Government Oversight Committee
IDED Report on the Iowa Industrial New Jobs Training Program (Chapter 260E)
October 2009

1. Program Summary

Established in 1983, the Iowa Industrial New Jobs Training Program (260E) is the largest of the three job training programs. It is used to assist businesses that are creating new jobs in Iowa. The community college enters into an agreement with the business to establish a project, i.e., provide training funds. Training funds can be used to pay for any direct training expenses either by the community college, the employer, or an outside trainer.

- Supports cost of training new employees in new business start ups or expansions
- Eligible companies: manufacturing, processing, assembly, wholesale, services in interstate commerce -resulting in new jobs; retail, health, professional not eligible
- Allowable training costs: on the job training- 50% max.; college trainer, company trainer, contracted services, equipment, materials, travel
- Community college's boards approve projects and issue bonds to create training fund
- IDED approval of a project is not required

IDED's role: Under Iowa law, administration of NJTP is assigned to the 15 Community Colleges. The IDED, in consultation with the Department of Education (DE), provides coordination functions.

- Publishes administrative rules for the program
- Maintains a database for information on each training agreement; data entered by the community colleges
- Provides general marketing for the program within and outside the state, provides businesses with general information about the programs and directs businesses to appropriate community college
- Provides technical assistance to the community colleges and economic developers concerning program rules and regulations
- Monitors the tax exempt bond cap and provides information to bond attorney
- Issues an annual report

Funding: To fund the costs of the new jobs training program (NJTP), a community college can issue and sell certificates (bonds) payable from a portion of the future receipts of payments (withholding taxes) authorized by the agreement. The community colleges collect a percentage (1.5% or 3%) of the withholding taxes applicable to NJTP from the participating businesses and collect fees for administering NJTP. DE sets the administrative rate and allowable uses of the administrative fee. The Department of

Revenue (DR) receives an Iowa Withholding Tax Quarterly Return from each participating business. On this return a participating business claims a New Jobs Credit or a Supplement Jobs Credit equal to the amount of withholding tax submitted to the community college.

The total amount of training funds available annually varies depending on the amount of bonds issued and the costs associated with issuing the bonds. There is no cap or limit on the amount of bonds issued each year. The costs for the reserve funds requirements and the administrative fees are about 30 percent of the total bonds issued. This is a list of 260E bond sales over the last 10 years reported by the community colleges in the NJTP database.

FY99 \$20,858,000	FY03 \$26,410,000	FY07 \$64,603,000
FY00 \$29,083,000	FY04 \$26,071,500	FY08 \$66,180,000
FY01 \$34,407,500	FY05 \$60,210,000	FY09 \$50,835,000
FY02 \$35,406,000	FY06 \$36,965,000	

Training outcomes: Employer directed training program for new employees.

FY2008 Results: Projects (Bond sales reported in FY08 was \$66,180,000)

Number of new companies	33
Number of existing companies	109
New jobs pledged in the preliminary training agreement	9480
Number of new jobs trained during the fiscal year	4363

FY 2008: Use of Training Funds

Training provided by the community college	\$110,401
Training provided by the company	\$3,057,472
Training provided by another educational institution, contractor	\$537,193
Training materials	\$7,239
Training equipment	\$749
Training travel costs	\$406,173
On-the-job training	\$2,795,517

Source of data is the NJTP database. Community colleges enter figures into a database maintained by IDED. The use of training funds figures may be underreported as not all data was entered in these fields for each training agreement. Also, there is no time period the training needs to occur specified in the training agreement so the training might not yet be completed.

Other Information: We matched companies in the NJTP database with the database of companies receiving funds from other DED financial assistance programs for the last three fiscal years. About 20% of companies receiving DED financial assistance also participated in the 260E program.

2. IDED's Response to the Auditor's Review

The Auditor of State (AOS) conducted a review of the New Jobs Training Program (NJTP) authorized by Iowa Code Chapter 260E and released a report on May 19, 2009. The Governor asked IDED to provide a written response for each of the Auditor's findings and include preliminary recommendations for each of the findings. The response was sent to the Governor's Office on June 5, 2009.

New Jobs Training Program Structure: Under Iowa law, administration of NJTP is assigned to the 15 Community Colleges. The Iowa Department of Economic Development (IDED), in consultation with the Department of Education (DE), provides coordination functions. The community colleges collect a percentage of the withholding taxes applicable to NJTP from the participating businesses and collect fees for administering NJTP. DE sets the administrative rate and allowable uses of the administrative fee. The Department of Revenue (DR) receives an Iowa Withholding Tax Quarterly Return from each participating business. On this return a participating business claims a New Jobs Credit or a Supplement Jobs Credit equal to the amount of withholding tax submitted to the community college.

AOS Findings Related to IDED: The AOS review identified findings and recommendations related to IDED, the Department of Education and the Community Colleges and the Department of Revenue. The findings applicable to IDED were:

- FINDING A – Legislative intent not met
- FINDING B - Not all NJTP administrative fees collected by DED are used for NJTP
- FINDING H - Information provided by community colleges is not verified by DED
- FINDING I - Other NJTP database concerns
- FINDING J - DED monitoring needs to be expanded and improved
- FINDING K - DED report needs to be based on verified information

The following is a summary of IDED's preliminary recommendations in response to the findings listed above. IDED did not address the AOS findings and recommendations related to the Community Colleges or the Department of Revenue. IDED's final recommendations will be submitted to the Governor's Office by December 31, 2009.

For Immediate Implementation:

1. Relocate Workforce Programs to the Innovation and Commercialization Division

The responsibility for management of the DED's workforce programs was transferred from the Business Development Division to the Innovation and Commercialization (IC) Division. The IC Division has implemented the workforce development strategies recommended in the Battelle Targeted Industry reports with input from educational and industry leaders including the Department of Education and community colleges. The transfer of these programs consolidated the department's workforce programs into one division.

Status: Effective May 15, 2009

2. Request for Attorney General Review of Allowable Uses of NJTP Funds.

The AOS report included in *Recommendation C* that “community colleges monitor excess funds collected and their proper allocation” and *Recommendation D* “whether the community colleges should be allowed to transfer accumulated interest earned on closed projects from the NJTP account in order to use the funds for other purposes of the community colleges.

On July 13, 2009, former Director Tramontina sent a letter to the Iowa Attorney General requesting an opinion on the legal uses of all funds secured through NJTP agreements. We received a written response on August 4, 2009 stating that an AG opinion is not appropriate for this purpose but rather a letter of advice from an assistant attorney general can be used. Assistant Attorney General Steve Moline was assigned to advise the agency on the allowable legal uses of funds secured through the NJTP agreements.

Status: On September 1, 2009, Melanie Johnson, DED’s General Council, reported that Steve Moline is aware of this request and will provide a response directly to her.

3. Ask Community Colleges to Verify FY ’08 Data. *Ask community colleges to review the FY’08 data they entered into IDED’s NJTP database and either certify that the data is accurate based on source documents they maintain or identify the data fields that need to be changed.*

Status: By June 30, 2009, all the community colleges had submitted their data fields that needed corrections. DED staff completed the corrections by July 15, 2009. 420 projects required corrections to the data entered in 31 data fields including effective date, principle repaid and balance, total withholding tax, types of training, planned new jobs and supplemental withholding.

4. Ask Community Colleges to Verify FY ’09 Data. *Develop an FY’09 NJTP Annual Certification Form to be signed by the each community college after entering their FY’09 data. Certify to IDED that the data they entered is accurate and based on source documents they maintain.*

Status: Community college staff entered their FY09 data and returned their certification form to IDED by August 24, 2009. There were no corrections that needed to be made by IDED staff.

5. IDED’s Technology Team will Take Steps to Improve NJTP Database. *Take immediate steps to modify the NJTP database fields to increase the transparency, accountability and usability of the data collected.*

Status: There was inconsistency in the interpretations of the database field definitions by community college staff. IDED staff and community college staff completed revisions to the field definitions to standardize the definitions. During this process, minor changes to the database were made and IDED is in the process of testing these changes. Once the testing is complete, we will notify the community college staff.

Items that require final recommendations by December 31, 2009

1. Review Existing Iowa Law for Possible Statutory Changes. *Evaluate whether IDED, DR and DE should propose legislative amendments to the NJTP statute and if yes, determine what should be changed to enhance program transparency and accountability.*

Status: IDED staff has requested a meeting with the community colleges to review previous recommendations to the administrative rules.

2. Review Prior Rulemaking Efforts and Propose Possible Rule Changes. *Research prior IDED rulemaking for NJTP and provide recommendations for possible rule amendments.*

Status: A rulemaking effort was undertaken in 1997. The intent was to amend the rules to allow IDED to provide more state oversight of NJTP. It was unsuccessful. IDED staff has reviewed the 1997 recommendations for inclusion into a draft of amended rules. IDED and the community colleges will meet to discuss/determine rule amendments.

3. Develop Standardized NJTP Definitions and Procedures. *Develop standardized definitions and procedures for the community colleges to follow in the administration of NJTP.*

Status: It was decided to have the community colleges develop standard procedures for their processes and submit them to IDED. The community college developers presented a first draft to the community college presidents on October 1. The final draft will be presented at the December President's meeting. IDED staff will develop a formal procedures manual for IDED's internal procedures and then develop one manual.

4. Develop a Written NJTP Management Guide. *Develop a written NJTP management guide for use by the community colleges and hold training sessions about the guide.*

Status: Written procedures will provide the basis for the management guide.

5. Request Community Colleges' Consent to Onsite Visit by IDED to Review Documentation. *Request each of the 15 community colleges to consent to one onsite visit by IDED to sample the source documentation used by the community college to support the numbers they entered into IDED's database.*

Status: No action taken at this time. IDED lacks statutory authority.

6. Develop a Plan for Changes to the FY'10 Annual Report. *Develop a plan for revising the FY'10 annual reporting process. The plan should include changes that will provide IDED with information to determine the use of the funds, the outcomes expected and the output achieved.*

Status: IDED staff has identified some changes that can be made based on the work underway to improve the definitions and procedures. IDED staff will identify major changes needed to increase the transparency and measure performance of the program.